



**Director of
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National Intelligence Daily (Cable)

30 September 1982

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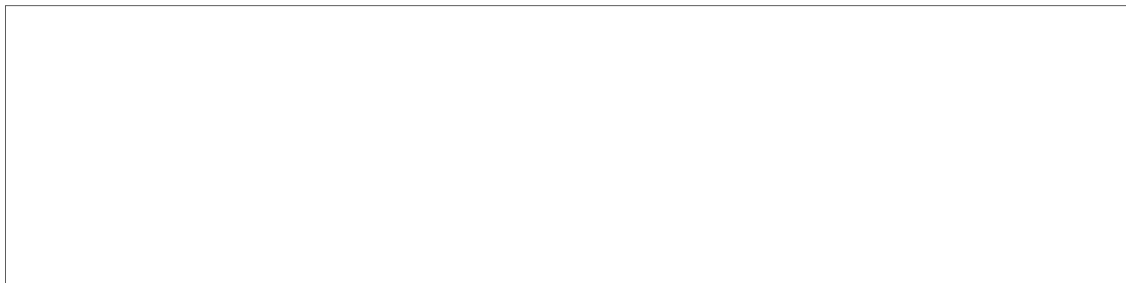
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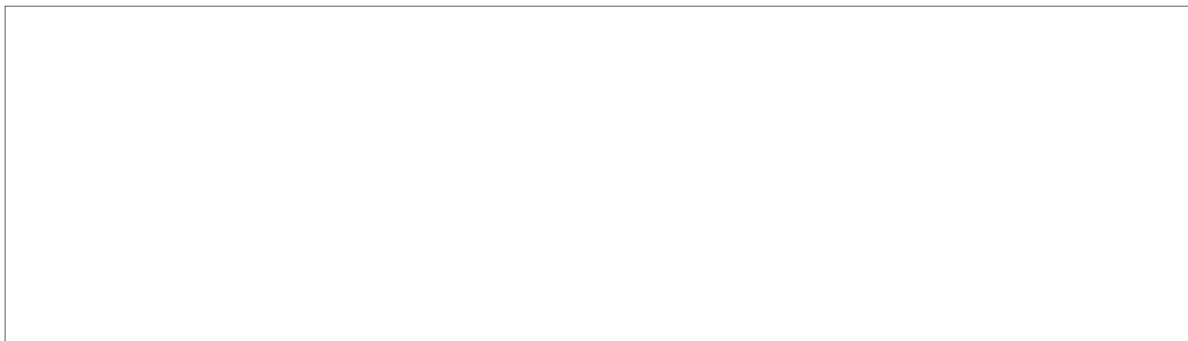
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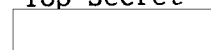
Yugoslavia: *Economic Shortcomings* 6



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YUGOSLAVIA: Economic Shortcomings

The leadership's inability to deal with economic problems is weakening its credibility among regional party officials and the public. [redacted]

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A party plenum held late last week to discuss the economy produced few new ideas to address growing financial problems and shortages of energy and industrial and consumer goods. The leadership reiterated calls for strict enforcement of existing belt-tightening measures but ignored controversial "market" reforms now awaiting legislative action. [redacted]

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In ordering more austerity, the Central Committee acknowledged that shortages would worsen. The party also introduced a new forced savings plan that will further reduce income and lower demand, especially for consumer goods. In addition, party leaders rejected the option of national debt rescheduling because such a move would hurt Yugoslavia's prestige. [redacted]

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The US Ambassador, who was in Slovenia and Croatia last week, notes that local leaders are increasingly skeptical about Belgrade's ability to deal with major economic issues. [redacted]

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Comment: The plenum's inability to provide new answers to economic problems will reinforce the growing lack of confidence in the federal regime. The continuing divisions in the leadership, which were evident at the 12th Party Congress in June, will hamper passage of the necessary systemic reforms. [redacted]

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Reliance on austerity to resolve economic problems, moreover, risks consumer dissatisfaction. The authorities' refusal to consider debt rescheduling merely postpones decisions that may have to be made no later than in early 1983. [redacted]

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